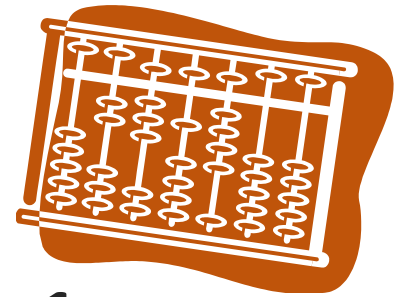


Business Management 101 for the Small Scale Poultry Processor



HAL PEPPER

MANAGING RISKS OF SMALL SCALE POULTRY PROCESSING

JANUARY 27-29, 2015

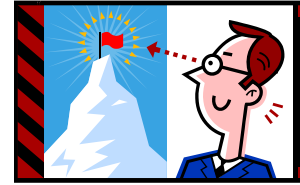
What We'll Cover

- Where to Start?
- Business Planning Basics
- Managing Risks

“If you fail to plan, you plan to fail.”

Benjamin Franklin

Goals



- 80% of Americans have no goals.
- 16% have goals in their mind but never write them down.
- 4% write them down and make 9x more money.

Source: Business Planning Lite, Dr. David Kohl, Virginia Tech

Business Planning and Communicating

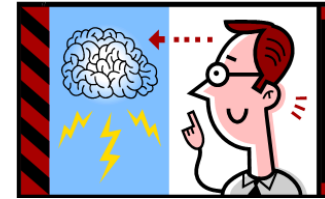
- Farm businesses that developed a business plan were two times more profitable.
- Producers who communicate were 21% more profitable.
- Producers who separated business and family issues were 63% larger and had 22% higher net income.

Source: Business Planning Lite, Dr. David Kohl, Virginia Tech

Where to Start?



Brainstorm



- Visit other farms near and far and ask questions
- Attend educational workshops and view webinars (CPA newslist)
- Talk to trusted professionals (Extension agent, USDA, TDA, banker, friends)
- Read—websites, publications, etc.

Figure Out What You Want to Do

- Stick to producing chickens
- Produce and process your chickens
 - USDA-inspected (also for others)
 - Producer/Grower 1,000 Bird Limit
 - Producer/Grower 20,000 Bird Limit
 - Producer/Grower or Other Person 20,000 Bird Limit (can buy live chickens from others)
- Consider where and how you plan to market products

Example of USDA-Inspected Facility



Example of Producer/Grower 20,000 Bird Limit Processor



What Are Your Resources?

- Skills
- Time
- Land
- Location
- Labor
- Family
- Capital
- Management Ability
- Experience
- Passion



Questions to Consider

- What service or product does your business provide and what needs does it fill?
- Who are the potential customers for your product or service and why will they purchase it from you?
- How will you reach your potential customers?
- Where will you get the financial resources to start your business?

Develop/Evaluate Your Idea With Goal of Profitability

- What is the potential for making money?
 - How can you utilize your resources to meet a need/desire in the market?
 - What rules and regulations will impact enterprise?
 - Evaluate start up and operating costs and compare to potential revenue to estimate potential profit/loss
 - Evaluate risk



Characteristics of Success



Managing Risks

Develop a Poultry Budget

- Serves as a good starting point
- Adapt to your location and situation
- Costs—variable and fixed
- Use with budgets for other enterprises to develop a whole-farm budget

Example Budget for Processing 3,000 Birds per Year Under the Producer/Grower 20,000 Bird Limit Exemption

Fixed Costs

Facility Costs

	Total Cost	Years Life	Annual Economic Depreciation
Site Prep-Septic Tank, Utilities	\$5,000	25	\$200
Building 16'x40'	\$25,000	25	\$1,000
Parking lot gravel	\$500	25	\$20
Signage	\$200	10	\$20
Total Facility	\$30,700		\$1,240

Processing Equipment Costs

	Total Cost	Years Life	Annual Economic Depreciation
Scalder	\$2,800	15	\$187
Plucker	\$2,800	25	\$112
Kill Cones	\$150	20	\$8
Tables, Chill Tank	\$700	20	\$35
Ice Maker	\$4,000	10	\$400
Carts, Knives, Cutting Board	\$380	10	\$36
Coolers	\$1,500	10	\$150
UV Sanitizer	\$1,000	10	\$100
Scales, Laptop, Printer	\$1,700	5	\$340
Freezer	\$500	20	\$25
Total Processing Equipment	\$15,530		\$1,393

Production Equipment Costs

	Total Cost	Years Life	Annual Economic Depreciation
Crates	\$75	20	\$4
Chicken Tractor	\$200	10	\$20
Total Production Equipment	\$275		\$24

Vehicle Costs

	Total Cost	Years Life	Annual Economic Depreciation
Pickup	\$15,000	15	\$1,000
Total Vehicle	\$15,000		\$1,000

Variable Costs

Operating Costs

	Quantity	Unit	\$/Unit	Total
Baby chicks	3,500	Birds	2.00	\$7,000
Feed	52,500	Lbs	.68	\$35,700
Labor				
Slaughter	2,975	Birds	2.00	\$5,950
Processing	2,975	Birds	2.00	\$5,950
Payroll taxes				
Workers comp				
Marketing (labor & fuel)	122	Days	75.00	\$9,150
FM booth fees	77	Days	10.00	\$770
Packaging, labels	2,975	Bags/Labels	.23	\$684
Cleaning supplies		Annual	58.00	\$58

Operating Costs

	Quantity	Unit	\$/Unit	Total
Utilities				
Water				
Electricity	12	Months	\$30	\$360
Propane	29	Tanks	\$15	\$435
Gas				
Phone	12	Months	\$40	\$480
Waste/Wastewater				
Composting		Annual	\$300	\$300
Pest control		Annual	\$25	\$25
Insurance (product liability included)	12	Months	\$175	\$2,100

Operating Costs

	Quantity	Unit	\$/Unit	Total
Repairs		Annual	\$650	\$650
Accounting		Annual	\$150	\$150
Credit card fees	\$20,000	Percent	.0235	\$475
Other Marketing				
Photocopies		Annual	\$50	\$50
Social media				
Web site				

Operating Costs

	Quantity	Unit	\$/Unit	Total
Economic Depreciation:				
Facility				\$1,240
Processing Equipment				\$1,393
Production Equipment				\$24
Vehicles				\$1,000
Total Operating Costs				\$73,944

Breakeven Analysis

- At what selling price would you be able to cover all your costs?
- Total Costs \$73,944
- Birds to sell (assume 83% survive) 2,905
- Total Costs \$73,944 ÷ 2,905 Birds = \$25.45 Breakeven Selling Price
- Is this reasonable?
- Remember to include the value of your labor!

-
- Develop on-farm processing plan
 - Purchase product liability insurance
 - Manage inventory
 - Develop a recordkeeping system

Resources

- Northeast Beginning Farmers Project
<http://nebeginningfarmers.org/farmers/>
- Niche Meat Processor Assistance Network (newsletter and discussion group) www.nichemeatprocessing.org

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